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¶1. (C) Oasis/Oxy Update: The oil majors were in Tripoli the week of December 6 for yet another Libyan economic conference (reftel). The former Oasis partners (Marathon, Amerada Hess, ConocoPhillips) are continuing their negotiations with the NOC for re-entry into the Libyan oil market, as is Occidental. ConocoPhillips told us that they have initialed an agreement with the Libyans for re-entry to the Libyan oil market based on the arrangement they had before pulling out in 1986. Conoco characterized the agreement as "not good," but said the company views it as "dues-paying" in order to return to the Libyan market. Occidental, on the other hand, seems to be hanging tougher with the Libyans. In a November meeting in Libya, Occidental CEO Ray Irani told Libyan PM Shukri Ghanem that the agreement proposed by the Libyans would cost Occidental USD 200 million, something he could not justify to the shareholders. Occidental has offered an alternative to the Libyans; although it has received no response so far, Oxy seems willing to wait it out for a while. Marathon, like ConocoPhillips, appears more willing to pay a price for re-entry into the Libyan oil market.

¶2. (C) EPSA IV Update: Meanwhile, American and non-American oil companies are awaiting the results of the first EPSA IV bid round. Winning bids are supposed to be announced on January 19, but there are rumors that the announcement could be delayed (NFI). Tariq Hassan-Beck, director of planning for the National Oil Company (NOC), has said publicly that the NOC is already working on the round two bidding package, which could take place in the first half of 2005. "We're learning from round one," he commented; but provided no details. Shortly thereafter, Poe Legette, partner, described some of the legal problems encountered in the EPSA IV process, including the fact that contracts must be approved by the General People's Committee and overall uncertainty about which laws apply under which circumstances.

¶3. (C) Azzam Messalatti, chairman of the NOC's upstream negotiation committee, mentioned that the NOC is also working on Development and Production Sharing Agreements (DPSAs) which would be similar to the EPSAs, but focused on development rather than exploration. This is the first that we and some of the American companies have heard of this. Messalatti also briefly mentioned a Libyan "Gas Master Plan," which he said has been approved in response to an increase in demand for natural gas. The plan includes upgrading facilities and developing fields.

¶4. (C) COMMENT: The U.S. oil companies are clearly looking at Libya as a place where they expect to be doing business in the future. ConocoPhillips already has an office here; Amerada Hess, Chevron-Texaco, and Exxon-Mobil are all in the process of signing leases for office space in downtown Tripoli and are bringing in country managers for Libya. Some of the U.S. oil companies commented privately (as they have in the past) that it's not clear that the way the EPSA IV round was run will result in the best foreign partners for Libya. According to

them, the process doesn't really allow for consideration of the bidder's experience and quality of technology. The only time such factors could have been considered was in the qualifying round, but given that 68 out of 120 companies qualified, some companies wonder how much weight was given to those aspects of the bidding process. Of course, the U.S. companies have a personal interest in cutting down the amount of competition, and their edge is clearly in the experience and technology they can bring to development of Libyan oil fields, not necessarily in being the ones offering the sweetest financial deal to the GOL. END COMMENT.

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